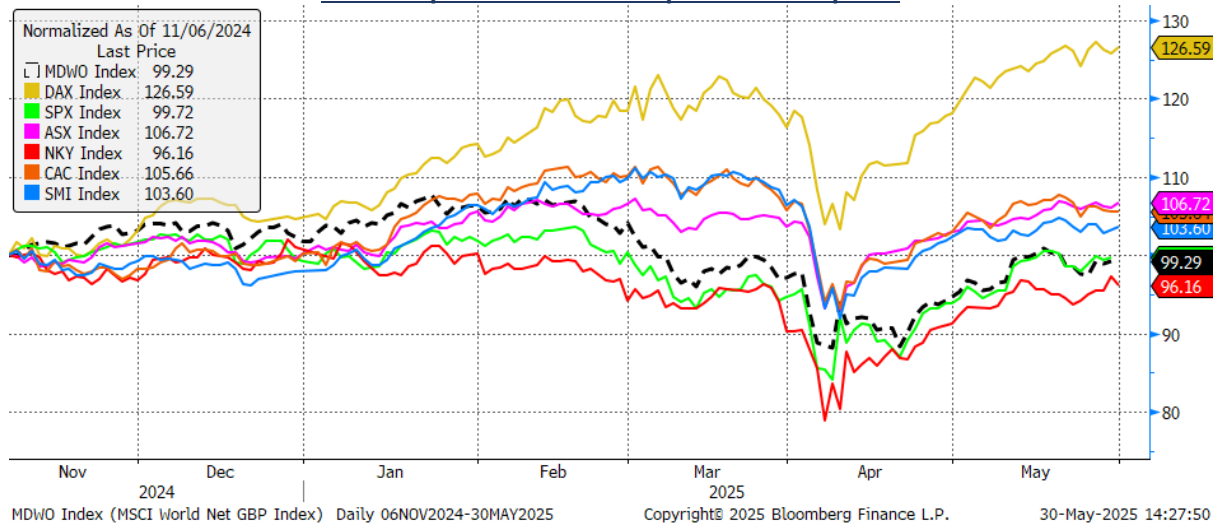




Review

Despite the geo-political turmoil, companies remain, for the most part, optimistic as to the outlook and the latest reporting season saw a higher than average number of companies reporting better sales and profits above those expected. As the tariffs rhetoric has eased and Scott Bessent has led the US negotiations, securing significant investment deals, the market has reacted positively, and many markets have bounced back to new all-time highs. The S&P 500 posted the best May performance since 1990, and the biggest gain for 18 months, while many European markets have done even better than that.

The Europeans return the top under Trump 2.0.



Along with the markets, consumer and business optimism has improved since the nadir of last month, although uncertainty remains a brake on investment in many areas. IT is proving to be the exception, where companies are committing more capital than ever, and despite the worries voiced in February, the AI and datacentre build out remain in full throttle.

Most of the moves that took place in the aftermath of ‘Liberation Day’ generally unwound during the month, with credit spreads tightening meaningfully and equity markets rising. US Treasuries, however, came under pressure as Moody’s became the last rating agency to downgrade the US to AA, and plenty of focus remains on the tax bill currently moving through congress which faces plenty of opposition given the ballooning state of the US debt balance.

The outlier in regional economic data remains China, where consumer confidence remains rumbling along close to the all-time low levels that have been going on since 2022, as a mixture of tariff pressure and a housing market that shows no sign of improvement tempers the mood. A recent survey of European companies operating in China reported the most pessimistic outlook on the region, as consumers show little signs of being prepared to open their wallets.



Fund Performance/ Activity

The Fund rose by 4.21% during the course of the month, reducing the year-to-date returns to -3.57%, as investors looked past the ever-changing proclamations coming from the White House, and paid more attention to what the companies were saying about the impact on their fundamentals and how they see their progress in the coming months. The Fund slightly underperformed the global markets overall* which rose by 4.91%.

Although we saw significant moves in many of our holdings and in the wider market, we did not take any new positions or exit any of our existing holdings during the month. We did take the opportunity to add to our positions in Sika, Fiserv and Apple, the latter two of which saw significant corrections during the month. Meanwhile we once again trimmed our position in Booking Holdings as it rose to over 5% of the Fund. We see Fiserv's second 15% correction in a month on reporting lower than expected volume growth in Clover, its payments terminal and software offering for small businesses as an overreaction. Fiserv is a very diverse fintech service business and has a strong track record of delivering on its targets and creating shareholder value, as exemplified by its unbroken 39-year record of double digit EPS growth. Additionally, 85%-90% of revenues are recurring in nature.

During the month we had positive contributions to performance from our holdings in **Intuit**, Zebra Technologies, **Microsoft**, United Rentals and Howden Joinery, which all rose in excess of 13% during the month, and 25% of the positions in the Fund rose over 10% as concerns over tariffs eased. The largest deduction from performance came from our holdings in **Fiserv**, Thermo Fisher, Apple, Rational, and L'Oréal. Those in bold are in the top 10 positions in the Fund.

Market Outlook

Tariffs are likely to continue to grab the headlines, especially as by the end of the month, markets will be facing the end of President Trump's grace period in which deals are meant to have been struck. It was noticeable, however, that markets seemed unfazed when the US Court of International Trade ruled that the President's use of the International Emergency Economic Powers Act to justify his actions was illegal. It does, however, throw up a large question, as to whether any nation would be prepared to strike a deal before an appeal rules one way or other, so the July deadlines may have to be pushed further to the right.

The state of the US fiscal situation remains one of the most pressing concerns facing investors, as any weakness in the bond market normally is not conducive to strong equity returns and often is a harbinger of deeper problems. The 30-year yield has risen to above 5%, and the \$36.2 trillion in debt that the US owes equates to 122% of GDP is currently growing by \$1 trillion every three months, before the estimated extra \$5 trillion that the President's new tax bill may add to the mounting debt pile.

Nonetheless, we remain cautiously optimistic that the fall-out from tariffs will be better than feared, and that by investing in quality companies which are able to invest and look through the current uncertainty, the prospects for the second half of the year will point to better returns than those for the year so far.

Richard Scrope, Fund Manager, VT Global Select Fund, 30th May 2025

Data source (unless otherwise stated): Bloomberg, FE Analytics
*iShares MSCI World UCITS ETF GBP TR in GBP

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